SENATOR MARTIN M. LOONEY
PRESIDENT PRO TEMPORE

Eleventh District
New Haven, Hamden & North Haven

State of Connecticut
SENATE

State Capitol
Hartford, Connecticut 06106-1591

132 Fort Hale Road
New Haven, Connecticut 06512

Home: 203-468-8829
Capitol: 860-240-8600
Toll-free: 1-800-842-1420

www.SenatorLooney.cga.ct.gov

September 4, 2024

Andrew N. Mais
Commissioner
Connecticut Insurance Department
153 Market Street, 7th Floor
Hartford, Connecticut 06103

Re: Public Hearing on the 2025 Health Insurance Rate Request Filings Anthem Blue Cross and Blue Shield, ConnectiCare and United/Oxford

Dear Commissioner Mais:

Thank you for holding the August 20, 2024 public hearing on the health insurance carriers' 2025 rate requests in the LOB. I share your frustrations with the companies' performance in which they, yet again, are requesting rate increases that exceed standard inflation measures. These companies failed to provide convincing evidence to justify their rate requests. They blame everyone else (including the Connecticut General Assembly for enacting much needed patient protections). They claim impotence in the face of hospital consolidation while they fail to support legislative proposals designed to rein in these costs. They cite the "unit cost drivers" but fail to acknowledge that the rates that these plans negotiate have a major effect on these costs.

.At one time the State of Connecticut was one of a number of states that set hospital rates using a statutory formula. This method of cost containment was eliminated (in all states except Maryland) because the then burgeoning managed care industry promised it could reduce these costs with the use of market forces and their negotiating skill.

Cleary, they have failed and the patients have paid the price. The insurers, the Pharmacy Benefit Managers (PBMs), the hospitals and the drug manufacturers all profit from the system at the expense of the patients who are the appropriate beneficiaries the system is supposed to serve. We need to change course and put the patient back in the center.

Among the possible solutions I would like to join you in considering is enacting a cap on the price increases that are allowed in the contracts between insurers and hospitals. Ideally this legislation would also make these contracts public information. In addition, I believe that PBMs should have a fiduciary duty both in their contracts with the insurers and to the policy holders. These contract provisions should also be public.

The insurers claim that the federal medical loss ratio (MLR) requirements cap profits; that claim is absurd. While MLR is a needed behavior modification requiring 80% (for individual and small group) or 85% (large group) of premium dollars be spent on medical care, this requirement does not adversely affect profit. Higher prices for premiums allows insurers to spend more on administrative costs, CEO pay or whatever they wish; 20% of a higher amount is always more than 20% of a lower amount. Higher premiums can boost profits.

According to a 2021 Kaiser Family Foundation report, traditional Medicare spends significantly less[1] on administrative expenses than the private plans do. In fact, the report found that traditional Medicare spends less than 2% on administrative costs and Part D spends about 8%. Medicare Advantage plans, however, spend 17% on administrative costs which is in line with other private insurers.

If the insurers cannot protect patients from unaffordable price increases, it is time for the state to step in. I look forward to working with you on these issues

Sincerely,

Martin Looney

Martin M. Looney
State Senator, 11th District

[1] https://www.kff.org/medicare/issue-brief/what-to-know-about-medicare-spending-and-financing/